

**AGREEMENT ON DEBT-FOR-DEVELOPMENT SWAP  
BETWEEN  
THE GOVERNMENT OF THE ITALIAN REPUBLIC  
AND THE GOVERNMENT OF THE REPUBLIC OF KENYA**

**Preamble**

The Government of the Italian Republic and the Government of the Republic of Kenya (hereinafter jointly referred to as "the Parties" and separately as a "Party"):

**CONSCIOUS** that under the Paris Club "Agreed Minute" signed in Paris on November 15, 2000, the Bilateral Agreement signed in Rome on June 14, 2001, on the consolidation of the Kenya debt, Memorandum of Understanding signed in Paris on January 15, 2004, the Bilateral Agreement signed in Nairobi on October 25, 2004, on the consolidation of the Kenya debt, it was agreed to consolidate the Kenya debt to Italy.

**TAKING COGNIZANCE** of the Provisions of section II-2C/ (Debt Swaps) of the above Paris Club "Agreed Minute" in point 1 and section II - 4 (Debt Swaps) of the above Paris Club "Agreed Minute" in point 3 and the debt conversion clause included in the above Bilateral Agreements

**DESIRING** to strengthen their relationship and wishing to continue their partnership, by assisting Kenyan Authorities in poverty alleviation for the most vulnerable people,

**HEREBY AGREE** as follows:

**Article I  
Scope of the Agreement**

1. This Agreement consists of 7 (seven) Articles and Annex 1.
2. This Agreement relates to debt-for-development swap operations of Official Development Assistance (ODA) bilateral debt and establishes procedures for the implementation of swap operations on the ODA bilateral debt owed by the Government of the Republic of Kenya to the Government of the Italian

Republic following the Bilateral Agreements signed on June 14, 2001 and October 25, 2004 and referred to in the Preamble.

3. The debt subject to swap operations under this Agreement is the amount equal to Euro (42,913,028.56) plus USD (1,364,282.07) of the principal listed in Annex 1, which forms an integral part of this Agreement.
4. Payments eligible for swap operations will be made from budgetary resources of the Republic of Kenya and shall be related to jointly agreed social and development projects and programmes (hereinafter referred to as "initiatives").
5. Any other current and future debt owed by the Government of the Republic of Kenya to the Government of the Italian Republic remains unaffected by this Agreement.

## Article II

### Debt for development swap operation procedures

1. Debt conversion will be executed in ten annual instalments on July 1<sup>st</sup> (hereinafter referred to as "Conventional Date of Conversion") of each of the years 2006-2015. Each annual instalment, equal to one tenth of the amount referred to in Article I, paragraph 2, shall be converted into Kenyan Shillings at the exchange rate quoted by the Central Bank of Kenya on the date of each annual disbursement to a special account - "Counterpart Fund" - held by the Government in one of the major International commercial banks operating in Kenya and agreed by both Parties (Article IV, below).
2. A transitional clause is valid in case the Agreement is signed by the Parties after the 1<sup>st</sup> July 2006, allowing the disbursement of the first instalment after the Conventional Date of Conversion.
3. The Government of the Republic of Kenya shall communicate in writing through the Italian Embassy to the Ministry of Foreign Affairs (MAE) - General Directorate for Cooperation to Development (DGCS), to the Ministry of the Economy and Finance of the Italian Republic and to the manager of ODA loans and credits on behalf of the Italian Republic (at present Artigiancasse SpA), the amount of the annual instalment credited in the Counterpart Fund within ten days from each date of annual disbursement. The Agent Bank shall verify the amount credited in the Counterpart Fund.
4. At the entry into force of this Agreement the amount referred to in Article I, paragraph 3 above will be frozen.

5. Disbursement on eligible Initiatives shall be made in Kenyan Shilling drawing from the Counterpart Fund.
6. All amounts spent by selected projects shall be considered as cancelled by the Italian Government. All amounts credited to the counterpart fund and not disbursed on eligible projects by June 30, 2018 shall be converted into Euro at the average exchange rate based on the former annual disbursements and repaid within three months by the Government of the Republic of Kenya to the Government of the Italian Republic.

### Article III Eligible Initiatives

1. The funds in Kenyan Shillings provided for debt-swap operations shall be used by the Government of the Republic of Kenya to buy goods and services to implement jointly agreed Initiatives within the framework of the poverty reduction strategies.
2. Initiatives shall aim at promoting socio-economic development and/or environmental protection in the priority sectors of agriculture, health, education and basic infrastructure and shall be identified in compliance with the principles and guidelines agreed upon by both Parties within the framework of the Kenyan Italian Development Co-operation.
3. Priority will be accorded to Initiatives aimed at poverty reduction, both rural and urban, in a context of verifiable social participation and with an environmentally sustainable resource use. The initiatives could be presented by the Parties and implemented by the Government of Kenya.
4. A Steering Committee shall be established under the provision of Article IV below. For each of the initiatives, the following documents shall be submitted to the Steering Committee:
  - a. A description of the initiative including, where appropriate, anticipated costs and the timing of the activities.
  - b. A yearly progress report including disbursements made for each initiative during the previous year.
  - c. A final report on each initiative financed under this Agreement.
  - d. Invoices and other documents relating to the projects will be kept on file for two years after the completion of the initiative and will be made available for Italian Government verification upon their request.
  - e. The above mentioned reports shall be sent by the Steering Committee through the Italian Embassy to the Italian Ministry of Foreign Affairs,

General Directorate for Co-operation to Development (MAE-DGCS).  
The MAE-DGCS shall verify and clear such reports.

5. The Italian Party is entitled to visit the initiatives during and after their implementation.
6. Initiatives implemented under this Agreement will be presented as jointly financed by the Government of the Republic of Kenya and the Government of Italy.

#### Article IV Steering Committee

1. A Steering Committee will be established with the following tasks:
  - a. To approve initiatives to be financed in accordance with the present Agreement.
  - b. To monitor the implementation of the initiatives through field visits and evaluation or progress/financial reports.
  - c. To verify project achievements
2. The Steering Committee shall be composed of the following:
  - a. on behalf of the Italian Government, H.E. the Ambassador of the Italian Republic to Kenya and/or his representative;
  - b. on behalf of the Government of the Republic of Kenya, the Minister for Finance or his representative with a leading role, and Minister for Planning and National Development and/or his representative.Representatives of concerned Ministries and/or institutions from both sides may participate in the meetings as the case may be.

All the decisions of the Steering Committee shall be reached by mutual agreement.

The Steering Committee will meet at least semi-annually and will operate according to rules and procedures that will be jointly established during the first meeting of Committee. The first meeting will be held within three months from the entering into force of this Agreement.

The Steering Committee will be assisted in the performance of its activities by a Secretariat under the Ministry of Finance, Government of the Republic of Kenya.

**Article V  
Disputes**

Any dispute on the interpretation of any provision herein contained shall be discussed and settled in an amicable way through consultations via the Diplomatic channels.

**Article VI  
Entry into force, duration**

1. The present Agreement shall enter into force on the date of receipt of the last notification by which the Parties will inform each other on the completion of their domestic procedures necessary for the adoption of this Agreement.
2. The present Agreement shall remain in force until June 30, 2018.

**Article VII  
Amendments**

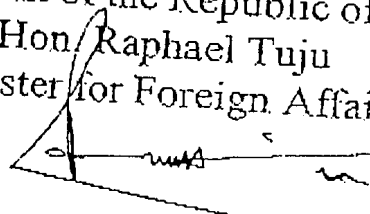
1. The present Agreement may be modified or altered upon mutual consent of the Parties through an Exchange of Letters.
2. All other aspects related to the implementation of the present Agreement will be dealt with in a separate document to be signed by the Parties.

WITNESS WHEREOF, the undersigned, being duly authorised by their respective Governments, have signed the present Agreement.

at Rome on the 27<sup>th</sup> of October in two originals each in the English language, both texts being equally authentic.

For the  
Government of the Italian Republic.  
Hon. Patrizia Sentinelli  
Vice Minister for Foreign Affairs

For the  
Government of the Republic of Kenya  
Hon. Raphael Tuju  
Minister for Foreign Affairs



AGREEMENT ON DEBT-FOR-DEVELOPMENT SWAP BETWEEN THE GOVERNMENT OF THE ITALIAN REPUBLIC AND THE GOVERNMENT OF THE REPUBLIC OF KENYA. PRD - SUMMARY TABLES OF THE SWAP AGREEMENT (aggregated per year)

Summary Table					
Credit	Currency	Original Amount	Debt Stock	End Period	Maturity date
00/906/02	EUR	10.803.455,42	10.803.455,42	31/12/2020	30/06 - 31/12
00/906/03	EUR	318.897,96	318.897,96	31/12/2020	30/06 - 31/12
05/901/03	EUR	15.188.062,02	15.188.062,02	30/06/2025	30/06 - 31/12
05/901/04	EUR	16.602.613,16	16.602.613,16	30/06/2025	30/06 - 31/12
00/906/01	USD	637.148,43	637.148,43	31/12/2020	30/06 - 31/12
05/901/00	USD	335.706,35	335.706,35	30/06/2025	30/06 - 31/12
05/901/01	USD	391.428,29	391.428,29	30/06/2025	30/06 - 31/12
<b>Total EUR</b>		<b>42.913.028,56</b>	<b>42.913.028,56</b>		
<b>Total USD</b>		<b>1.364.283,07</b>	<b>1.364.283,07</b>		

Total Amounts per Year (USD)				
Due date	Principal	Interest	Total	Outstanding
				1.364.283,07
30/06/2006	136.428,31	20.464,25	156.892,55	1.227.854,76
30/06/2007	136.428,31	18.417,82	154.846,13	1.091.426,48
30/06/2008	136.428,31	16.371,40	152.799,70	954.998,15
30/06/2009	136.428,31	14.324,97	150.753,28	818.569,84
30/06/2010	136.428,31	12.278,55	148.706,85	692.141,54
30/06/2011	136.428,31	10.232,12	146.660,43	545.713,23
30/06/2012	136.428,31	8.185,70	144.614,01	409.284,92
30/06/2013	136.428,31	6.139,27	142.567,58	272.856,61
30/06/2014	136.428,31	4.092,85	140.521,16	136.428,31
30/06/2015	136.428,31	2.046,42	138.474,73	0,00
<b>Total</b>	<b>1.364.283,07</b>	<b>112.553,35</b>	<b>1.476.836,42</b>	

Total Amounts per Year (EUR)				
Due date	Principal	Interest	Total	Outstanding
				42.913.028,56
30/06/2006	4.291.302,86	643.695,43	4.934.998,28	38.621,28
30/06/2007	4.291.302,86	579.325,80	4.870.628,74	35.242,54
30/06/2008	4.291.302,86	514.956,34	4.806.259,20	30.885,68
30/06/2009	4.291.302,86	450.586,80	4.741.889,66	26.528,82
30/06/2010	4.291.302,86	386.217,26	4.677.520,11	22.172,06
30/06/2011	4.291.302,86	321.847,71	4.613.150,57	17.815,30
30/06/2012	4.291.302,86	257.478,17	4.548.781,03	13.458,54
30/06/2013	4.291.302,86	193.108,63	4.484.411,48	9.101,78
30/06/2014	4.291.302,86	128.739,09	4.420.041,94	5.745,02
30/06/2015	4.291.302,86	64.369,54	4.355.672,40	0,00
<b>Total</b>	<b>42.913.028,56</b>	<b>3.540.324,86</b>	<b>46.453.353,42</b>	